

GGL DIAMOND CORP.

Management Discussion and Analysis

(Form 51-102F1)

For the Nine Months ended August 31, 2004

The following discussion of the results and financial position of the Company for the nine months ended August 31, 2004 should be read in conjunction with the information provided in the 2003 Annual Report of the Company and both the February 29, 2004 and May 31, 2004 Quarterly Reports. The material herein, as of this 29th day of October 2004, updates the information as of April 7, April 26 and July 28, 2004 contained in the MD&A of those reports, respectively.

DIAMOND EXPLORATION, SLAVE CRATON, NORTHWEST TERRITORIES, CANADA

DOYLE LAKE PROJECT, SOUTHEAST SLAVE CRATON

Doyle Joint Venture, De Beers 60%, GGL 40% (carried interest)

De Beers is in the process of completing the lease requirements for the joint venture mineral claims LA 4 to LA 9 inclusive, the fractional claims Extra 2 to Extra 4 inclusive, and the Extra 10. A winter ground gravity survey identified five potential kimberlite targets on these claims. The gravity survey was continued this past summer over the land area south of Kennady Lake, bringing the planned survey area to approximately 60% completion. The remaining area to be surveyed will be completed this winter at which time targets may be selected for drilling.

The area adjoins the Mountain Province Diamonds Inc. claims, the boundary being within a few hundred metres of diamond-bearing pipes Hearne and 5034, which are being evaluated for production.

Doyle, GGL 100% Owned Claims

Doyle Diamondiferous Kimberlite Sill

Last year, 2003, two 4.8 kg drill core samples, DOY-03-185C and DOY-03-194C were sent to the De Beers Geoscience Centre for heavy mineral analysis (HMA) and microprobe analysis. This is an excerpt from the summary and remarks section of the report, which was recently received:

“Based on indicator major element mineral chemistry, the Gerle Gold kimberlite shows high diamond-bearing potential and favourable redox conditions for diamond preservation.”

The samples were taken by De Beers and submitted to their lab in Johannesburg. The results support our decision to continue to explore and sample the Doyle Sill.

De Beers Canada Exploration Inc. has provided GGL with the results of a routine audit of the MiDA (microdiamond analysis) from the 2003 drilling of the Doyle Sill which originally reported 161 diamonds in 84.50 kilograms of kimberlite. The audit was performed by Saskatchewan Research Council (SRC) on the residues from this analysis. An additional 16 diamonds were recovered. They

included one macrodiamond recovered on the 0.425 mm bottom sieve and 15 microdiamonds. Of the sixteen additional stones, 12 were less than 0.150 mm in size. The overall result is that the 84.50 kilogram sample contained 177 stones rather than the 161 previously reported.

The kimberlite sill has been traced for a strike length of two kilometres, along which the thickness varies but averages two metres. For the most part, there is no information as to extent of the down dip, its thickness, or diamond content. At Snap Lake, a comparable sill, the thickest section was found almost one kilometre down dip. To evaluate the Doyle Sill, further exploration is necessary.

The Company continued exploration on its 100%-owned Doyle claims by collecting 39 kimberlite indicator mineral samples from five areas which, based on unexplained indicator minerals, have the potential to host diamondiferous kimberlite pipes. A legal survey has been completed and preparations are in progress to lease the ten-year-old claims.

CH PROJECT AREA, CENTRAL SLAVE CRATON

During the last quarter an airborne geophysical survey, using the Fugro Resolve magnetic/electromagnetic system, was flown over the Courageous, Seahorse, Winter Lake North and Winter Lake South properties. The final report from Fugro containing the corrected and levelled data was received this October and is being evaluated.

This new survey covered eight claims at Courageous and four claims at Seahorse, which had not been flown in previous surveys. Using preliminary data supplied by Fugro, 19 geophysical anomalies on the Courageous claims were selected from the survey. Of these, five were designated high priority and six have indicator mineral support from the previous year's sampling. Thirty new samples were collected in September. At the Seahorse claims fourteen geophysical anomalies were selected from the preliminary data. Three have indicator mineral support from previous sampling and 34 new samples were collected in September. Twenty new samples were taken from other claims on the Seahorse property.

The Fugro geophysical survey flown at Winter Lake North and Winter Lake South was flown to locate targets for the eight indicator mineral trains on these claims. The final Fugro report has been received and will be interpreted over the winter months.

The Zip-de property was explored with an additional 82 indicator mineral samples taken in August 2004. These claims have high indicator mineral counts and chemistry indicative of kimberlites from the diamond stability field. The sampling will help to sort out merging indicator mineral trains.

SEAHORSE KIMBERLITES

In 2002, the Company drilled three kimberlites subsequently named Rainier, Shasta, and Adams, on the wholly-owned Seahorse group of claims, 40 kilometres southwest of the Ekati Diamond Mine. In 2004, two core samples from each of the Rainier and Shasta kimberlites were submitted to the De Beers Geoscience Centre for HMA analysis.

Each of the Rainier samples contains a +0.105mm microdiamond. The kimberlite is a very fine grained black rock and few indicators were seen during logging of the core. However the two samples from the Rainier, 4.92kg and 4.3kg, returned a significant number of kimberlitic indicator minerals including: 21 garnets including two G-10 garnets, one of which is from the 'diamond stability field', 119 chrome diopsides were analysed and most derive from a garnet peridotite and

indicate a moderately depleted source, 19 probed ilmenites were favourable for diamond preservation, and 288 probed spinels indicated that the kimberlite may be highly prospective with regards to diamonds.

The samples from the Shasta contained a garnet with exceptionally good G-10 chemistry and spinel and clinopyroxene chemistry indicate sampling of mantle at high pressure. Geothermobarometry estimates support sampling of mantle within the diamond stability field.

We now believe the three Seahorse kimberlites failed to breach the surface and in light of the presence of microdiamonds and positive indicator chemistry results we are considering if deeper drilling is warranted.

CH PROJECT SUMMARY

The recent work at Courageous and Seahorse, when added to the Starfish, Zip-de, Winter Lake North and Winter Lake South, brings the total number of indicator mineral trains that need to be prioritized for drilling, to 33. One of the new targets at Courageous appears to be over six hectares, while one of the new targets at Seahorse may be approaching 25 hectares. Interpretation of the final levelled data from Fugro will be needed to confirm these dimensions.

FISHBACK LAKE PROJECT, SOUTHWEST SLAVE CRATON **“BIG HOLE” KIMBERLITE TARGET**

The lake containing the ‘Big Hole’ was first selected as an area of interest after a 1993 fixed wing airborne magnetometer survey revealed that a number of linear magnetic features were terminated by a magnetic low of substantial size.

A program of indicator mineral sampling was initiated although only limited amounts of washed till remained in an area of extensive bedrock exposure. A few kimberlite indicator minerals were recovered down ice of the lake.

It was only when the end of a seismic survey line recorded a water depth of 75 metres and a bathymetry survey was completed over the entire lake, that the outline emerged of a steep-walled oval hole with a flat bottom one kilometre in size. This discovery was followed by a lake sediment sample survey which, when the samples were analyzed, returned anomalous values in those elements common to kimberlites.

Analyses of granite-breccia found on the shore of the lake returned a G-9 pyrope and eclogitic garnets, both kimberlite indicators. This prompted a second attempt at indicator mineral sampling and a re-examination of concentrates from previous sampling. As a result, up to 15 kimberlitic indicators were recovered from one sample and two ilmenites were found containing delicate resorption surfaces with perovskite/leucoxene coatings. The ilmenites are important as such surfaces would not be expected to travel far from the source.

In May of this year an airborne geophysical survey was flown over the lake. The Fugro survey shows that the “Big Hole” lies within a quiet magnetic area. The EM data shows a significant conductor correlating to the southern part of the big hole. A ground gravity survey over this target identified an isolated gravity low between 500 and 900 metres in diameter. The larger EM anomaly models as a bedrock conductor similar to known kimberlites.

A -45° drill hole was drilled to a depth of 841 metres before being terminated due to excessive deviation from the planned direction of 165°. Indirect evidence of kimberlite was encountered in the form of alteration, breccia and microbreccia, within the granite drilled.

A thin section of microbreccia from the drill core was sent to the Teck/Cominco lab in Vancouver, whose lab report stated, "The rock might be a water lain crystal tuff or ash debris. It is foliated but not disturbed". This is unusual for core from 500 metres below surface that has upper and lower contacts with altered granite. However the lab only had the thin section and was not aware of the context. A similar description is found in granitic breccia above a known kimberlite body at Snap Lake. This is further positive evidence for the presence of kimberlite.

New claims have been staked in the area and the old claims over the "Big Hole" are being taken to lease. A further 59 indicator mineral samples have been taken and preliminary visual results point to another kimberlite in the area.

The "Big Hole" and two other geophysical targets in the same lake will be evaluated for a winter drill program.

CONSIDERATIONS FOR FUTURE EXPLORATION

The drill targets found to date at the De Beers/GGL Doyle property provide an excellent opportunity for the discovery of one or more diamondiferous kimberlites. The Company is carried as to its 40% and is not required to fund exploration here.

The Company has 100% ownership of a large land package, which it has managed to maintain and explore to the present final exploration and drilling stage with excellent and multiple chances for finding diamonds.

To successfully complete the exploration plan on our properties, the Directors of the Company believe we should consider financing exploration and development for some of our properties through joint ventures with suitable and capable partners.

OVERALL PERFORMANCE/RESULTS OF OPERATIONS

As at August 31, 2004, the Company had incurred exploration costs on mineral properties of \$1,982,589 (charter aircraft \$479,393; drilling, trenching and sampling \$284,401; licenses and recording fees \$25,662; salaries and wages \$111,315; surveys \$569,072; technical and professional services \$264,300; transportation \$138,341 and project supplies of \$110,105). Exploration costs for the nine months ended August 31, 2004 are higher than 2003 by \$921,409, an increase of 86.8%. A majority of this increase was for the ground and airborne geophysical surveys conducted over our claims, chartered aircraft hired to move crews and equipment out to and between the properties and for consultants and employees hired to perform and monitor the exploration program. The December 2003 flow-through financing allowed us to execute a larger field program this season.

On a per project basis, the Company spent the \$1,982,589 exploration costs as follows: \$1,451,119 on the CH project, \$40,899 on the Doyle Lake project, \$1,744 on the Clinton, \$5,743 on the McConnell Creek, \$8,882 on the Happy Creek Gold/Silver Property, \$815 on Regional, and \$473,387 on the Fishback Lake and Dessert Lake Properties.

The Company reported a net loss of \$784,301 for the nine months ended August 31, 2004 compared to a net loss of \$318,835 for the same period ended August 31, 2003 (an increase of 146% from 2003 to 2004). The increase in net loss was primarily due to the recording of stock based compensation in 2004 for the stock options granted to the Company's employees, directors and consultants.

During the nine month period, the Company incurred a tax expense of \$11,500 on the monthly unspent balance of flow-through funds from the December 2003 private placement. This Part XII.6 tax expense was calculated by multiplying the unspent CEE at the end of each month (starting with February 2004) by the prescribed interest rate (divided by 12) set by Canada Customs and Revenue Agency. The prescribed interest rate between February 29 and June 30, 2004 was 5%. All the flow-through funds were spent by June 30, 2004.

Revenue for the nine months ended August 31, 2004 was \$23,299 consisting of interest income compared with \$10,123 for the period ended August 31, 2003. The increase in funds raised during the 3rd and 4th quarter of 2003 and the 3rd quarter of 2004 generated more interest income for the Company.

ACQUISITION AND DISPOSITION OF RESOURCE PROPERTIES AND WRITE OFFS

There were no write offs of exploration and mineral property costs for the nine months ended August 31, 2004.

During this period, six McConnell Lake claims were staked in British Columbia and 13 Fishback Lake claims were staked in the Northwest Territories.

RELATED PARTY TRANSACTIONS

During the nine months ended August 31, 2004, the Company was billed \$72,947 (\$8,062 is included in accounts payable in 2004) by R.A. Hrkac, the President and Chief Executive Officer for technical and professional services provided. For the same comparative period in 2003, the Company was billed \$36,000 (\$24,000 of which is included in accounts payable in 2003) by R.A. Hrkac for technical and professional services.

COMMITMENTS

The Company has entered into an operating lease agreement with respect to its office premises. Minimum payments of \$30,290 in 2004 and \$5,303 in 2005 are required under the agreement.

Pursuant to an agreement dated March 1, 2001, the Company has agreed to pay its President and Chief Executive Officer up to \$10,000 per month. Payment of the full amount of \$10,000 per month is subject to a number of conditions precedent, none of which have been satisfied as of November 30, 2003. If the conditions precedent had been satisfied at August 31, 2004, the amount owing under the agreement would be approximately \$182,207.

The Company has a mortgage loan on its Yellowknife house of approximately \$60,352, which becomes due on January 1, 2005.

SUMMARY OF QUARTERLY INFORMATION

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with August 31, 2004. Financial information is prepared according to GAAP and is reported in Canadian \$.

Quarter Ended:	August 31, 2004	May 31, 2004	February 29, 2004	November 30, 2003	August 31, 2003	May 31, 2003	February 28, 2003	November 30, 2002
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Total Revenues	265	784	22,250	9,203	5,027	3,975	1,121	1,646
Net Income (Loss)	(95,136)	(436,210)	(252,955)	(635,294)	(111,314)	(107,262)	(100,259)	(432,471)
Net income (loss) per share	(0.001)	(0.007)	(0.004)	(0.01)	(0.002)	(0.002)	(0.002)	(0.009)

Note:

- (1) Income (loss) before discontinued operations and extraordinary items is the same as Net Income (Loss) as there are no discontinued operations or extraordinary items in 2002, 2003 or 2004. Fully diluted earnings (loss) per share are not presented as the exercise of warrants and stock options would be anti-dilutive.

LIQUIDITY AND CAPITAL RESOURCES

For the nine months ended August 31, 2004, the Company experienced a negative cash flow of \$354,010 (before allowing for changes in non-cash operating working capital balances) from operating activities. Changes in operating activities resulted primarily from an increase in consulting fees, and office services and expenses.

The Company's cash position as at August 31, 2004 was \$1,757,723. The increase in cash position compared to November 30, 2003 was due principally to funds received upon the exercise of share purchase warrants during the 3rd quarter of 2004.

During the nine months ended August 31, 2004, the Company:

- (i) completed a private placement of 2,232,222 common shares at \$0.45 per share for gross proceeds of \$1,004,500. All of the proceeds from these flow-through shares have been spent on Canadian Exploration Expenses ("CEE");
- (ii) Issued 6,010,000 common shares pursuant to the exercise of share purchase warrants at \$0.20 per common share for gross proceeds of \$1,202,000.
- (iii) Issued 1,015,000 common shares pursuant to the exercise of stock options between \$0.20 and \$0.30 per common share for gross proceeds of \$292,000.

100,000 warrants and 750,000 stock options expired unexercised during the period. See Notes 2 and 3 of the Consolidated Financial Statements for August 31, 2004.

SUBSEQUENT EVENT

Subsequent to August 31, 2004, Mr. R. Timothe Huot resigned as a director of the Company for business reasons unrelated to GGL's operations.

OUTSTANDING SHARE DATA AS OF October 29, 2004:

(a) Authorized and issued share capital:

Class	Par Value	Authorized	Issued	
			Number	Value
Common	No par value	250,000,000	74,785,242	\$ 22,393,539

(b) Summary of options outstanding:

Security	Number	Exercise Price	Expiry Date
Options	25,000	\$0.25	Dec. 27, 2004
Options	55,000	\$0.50	Dec. 27, 2004
Options	519,000	\$0.25	June 29, 2005
Options	100,000	\$0.25	Aug. 8, 2005
Options	100,000	\$0.30	Sept. 5, 2005
Options	120,000	\$0.25	Nov. 14, 2005
Options	145,000	\$0.30	Jan. 16, 2006
Options	600,000	\$0.30	March 1, 2006
Options	255,000	\$0.20	July 16, 2006
Options	959,333	\$0.20	July 18, 2007
Options	686,667	\$0.25	Feb. 06, 2008
Options	395,000	\$0.30	April 25, 2008
Options	50,000	\$0.45	Aug. 15, 2008
Options	400,000	\$0.30	Oct. 31, 2008
Options	1,020,000	\$0.50	Jan. 15, 2009
Options	330,000	\$0.50	March 19, 2009
Options	45,000	\$0.50	June 29, 2009
Total	<u>5,805,000</u>		

c) There are no warrants outstanding.

(d) There are no escrowed or pooled shares.

OTHER INFORMATION

The Company's web site address is www.ggldiamond.com. Other information relating to the Company may be found on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

This discussion includes certain statements that may be deemed “forward-looking statements.” All statements in this discussion, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

BY ORDER OF THE BOARD

“Raymond A. Hrkac”

“*J. Haig deB. Farris*”

Raymond A. Hrkac
President & CEO

J. Haig deB. Farris
Director